

Product Management's Role in Mending the Innovation Gap

Insights: Five Questions

Product managers are on the front line when it comes to innovation. Their decisions and influence play a pivotal role in determining whether or not innovative product and service development initiatives should be advanced.

Innovation, the task of transforming an idea into a useful product or service and seeing it delivered to the marketplace by definition takes time and carries risk.

Product Managers face the constant challenge to deliver sales and profit over the near term and create a robust product pipeline over the long term. With competing projects and limited resources, and the myriad of market and technology complexities, advocating high risk but high reward innovation initiatives are difficult to support—***the Innovation Gap***.

There is a way to bridge the gap. Addressing five key questions provides a framework for Product Managers and New Product Development Councils to make informed judgments concerning whether or not to advance projects into the product development pipeline.

Framework: Five Key Questions

1. Does the project address the job the customer wants done?
2. The Disruption Model: Can we predict market discontinuities and create sustainable competitive advantage?
3. What is the likelihood of technical success?
4. Does the project meet risk / reward criteria?
5. Are resources effectively allocated?

Insights: The Disruption Model

1. Does the project address the job the customer want done?

Failure is likely when product utility questions are not addressed with customers and Key Opinion Leaders.

Primary and secondary market research is the conventional, necessary prerequisite for surfacing market needs, wants, and desires across multiple market segments.

However, since no two market segments are alike, defining needs in terms of ***the job the customer wants done*** produces additional insight and perspective by finding a common language that transcends segmentation. Focusing product definition on “a job” rather than an average of many needs creates a clearer vision of product attributes.

Apple Store Customer Question:

“Can you send someone to my house to set up the network?”

Apple Sales Person response:

“Why would we ever need to do that? No. You just plug it in, and it works.”

When product development teams acquire these insights, a keener understanding and framing of innovative product and service solutions in terms of customer value position and price points takes on a whole new meaning.

- Use conventional segmentation and primary/secondary research as the basis for identifying and qualifying opportunities.
- When speaking with customers, ask them for a perspective on the job they want the product to do. Ask your Key Opinion Leaders the same question.

2. The Disruption Model: Can we predict market discontinuities and create sustainable competitive advantage?

The economic outcomes in providing, acquiring or adopting the new product or service must be significantly better than the prevailing offerings.

Senior executives correctly focus their thinking towards market discontinuities – what companies and technologies will disrupt the status quo? Who will be disrupted, and how?

It is up to Product Management to frame ***The Disruption Model*** and engage business and technical colleagues in active dialogue to acquire

Insights: Proof of Concept

inputs and insights. Three pillars serve as the foundation of the disruption model:

Business Intelligence:

Anticipating competitor interventions and the emergence of new entrants and their timing is

“Our worst nightmare is to be caught by surprise by a competitor and running to catch up.”

- Worldwide Director, Advanced Technology

a key component of the disruption model. History tends to repeat itself and radical change is not easily accomplished.

- Obtain a historical and current view of the competition by profiling prior moves. Identify elements as vertical and adjacent business migration, and product launches so predictive views can be formulated.

Strategic Technologies: Clearly, technologies do not equal product over the short term but emerging technologies and a competitor’s intellectual property position presents clues to the future.

- Compile the list of these technologies and make assumptions on their disruption potential and the likely timing of their introduction.

Strategic Factors:

Step back for a moment and think about teeth whitening and how you can buy strips over the

“...Customers are not interested in disruptive products; they're interested in the outcomes those products provide.”

*- Andrew Rudin
Outside Technologies*

counter—a supplement for going to the dentist. Another striking example is digital photography where the convergence of numerous factors disrupted wet chemistry based photography. The value created *raised* the level of consumer convenience and picture distribution; *eliminated* the need for developing; and *created* a whole new consumer experience. Strategic factors are formulated on the basis of creating uncontested market space and making the competition irrelevant.

- Identify the factors that could change market dynamics. Notice what needs to be raised, eliminated, and created. Starbucks anyone?

Certain events will disrupt markets. For example, aging baby boomers and the rising cost of health care will change market dynamics. Used in conjunction with the pillars cited above, market scenarios can be formulated reflecting best case and worst case scenarios.

- Use the three pillars to formulate market scenarios to build your company’s disruption model.

**Insights:
Risk Reward &
Resource
Optimization**

3. What is the likelihood of technical success?

Hope is not substitute for good planning when it comes to project selection.

As BIC's research has indicated¹, product concepts entering the product development cycle are rarely pre-qualified in terms of their technical merit. The result: downstream project cancellation and wasted investment.

"... If this doesn't work, how much is it going to cost us?"

- Edwin Land
Polaroid

"... Today, a Lilly program known as Chorus has demonstrated that "Proof of Concept" can be achieved using a global network of scientists and other partners who are mostly outside the company, reducing costs by several million dollars per molecule while also reducing the time required for development."

- Sidney Taurel
Chairman — Eli Lilly and Company

A key to success is acquiring proof of principle and proof concept data prior to expending precious resources. Using suppliers to provide evidence is a highly cost effective approach, since technology sources want your business and will work hard to earn it

- Make proof on principle/concept data an integral part of the product evaluation process early—on by involving suppliers.

4. Does the project meet risk / reward criteria?

"Hockey stick" projections are not credible and can be downright misleading.

Uncertainty in price points, sales force incentives, technical risk, and competing product displacements render them little better than guesses.

"...Because not all technological innovations will succeed in the marketplace, P&G has put effective mechanisms in place to manage the development risks and evaluate business results..."

...Clear and measurable criteria for commercial success are explicitly reviewed as a part of project establishment, continuation, capital investment and progression to the market..."

By determining a value for every project in the pipeline based on more tangible factors including development cost, the likelihood of success and expected future sales, a more realistic estimate and future view of 2nd and 3rd generation product offerings emerge.

¹ http://www.bicvalue.com/images/BIC_Mending_the_Innovation_Disconnect.pdf

Insights: Product Manager Checklist

- Use real data from benchmark products or proxies to ground the projections – then apply intelligence to adjust for differences in market dynamics.

5. Are resources effectively allocated?

There is a lot to be said for the “heat of the deal” –too much invested thus far to walk away—don’t get caught up in it!

Although it may seem obvious, resources must be directed to projects with the highest potential market impact.

“The company took a hard look at recent projects that had succeeded and failed. They came to a stunning conclusion: Often, drugs with the lowest chance of paying off ended up with the most resources. Why?”

*Business Week:
Bob Ruffalo’s Transformation of R&D at Wyeth*

Too frequently, the temptation exists to continue to plow money and staff into troubled projects in an attempt to rescue them. By considering answers to the first four questions, a clearer portrayal of product value and impact allows data driven decisions to be made, resources conserved and optimized.

- Take a hard look at your product development initiatives and those you would like to introduce. Save your company from wasting investment on projects that are not going anywhere. Cut your losses.
- Partner with your technology colleague and jointly take inventory of progress. Jointly “sell” your agreement to advance or discontinue projects. Show a systemic communication mechanism and a robust rationale.

Key Takeaways:

A Checklist to Increase Predictability

Product Managers shoulder the responsibility of bringing winning product to market. They rely on cross-functional teams whose members must justify the allocation of resources within their respective organizations. With short term pressures, limited resources and competing initiatives, Product Managers can play a role in ***Mending the Innovation Gap*** by attending to the checklist below:

The Product Manager's Checklist

- **Market Segmentation:** Use conventional segmentation and primary/secondary research as the basis for identifying and qualifying opportunities.
- **Product Utility:** When speaking with customers, ask them for a perspective on the job they want the product to do.
- **Business Intelligence:** Obtain a historical and current view of the competition by profiling prior moves. Identify elements as vertical and adjacent business migration, and product launches so predictive views can be formulated.
- **Strategic Technologies:** Compile the list of these technologies and make assumptions on their disruption potential and the likely timing of their introduction.
- **Strategic Factors:** Identify the factors that changed market dynamics. Notice what they raised, eliminated, and created. Think about what Starbucks did.
- **The Market Disruption Model:** Use the three pillars: Business Intelligence, Strategic Technologies and Strategic Factors to formulate market scenarios to anticipate market discontinuities.
- **Technical Feasibility:** Make proof on principle/concept data an integral part of the product evaluation process early-on by involving suppliers.
- **Risk / Reward:** Use real data from benchmark products or proxies to ground the projections – then apply intelligence to adjust for differences in market dynamics.
- **Resource Optimization:** Take a hard look at your product development initiatives and those you would like to introduce. Cut your losses. Partner with your technology colleague and jointly take inventory of progress. Jointly “sell” your agreement to advance or discontinue projects. Show a systemic communication mechanism and a robust rationale.

The BIC Value

BIC is a Strategy and Innovation Firm focusing on practical growth derived from finding the Right Opportunities.

- BIC determines the Right new business and products to drive top line growth and reduce costs.
- BIC determines what is Right by thoroughly assessing Business and Technical Realities.
- BIC's key to success is a Proven Process and a Robust Network developed over two decades.
- BIC applies experience in MedTech, Consumer Products, and High Tech to produce results.

Disruptive Product Grounded in Business & Technology Realities